

LOCAL RETAIL SALES AND USE TAXES
RCW 82.14 and RCW 81.104.170

Tax Base Same as the state retail sales and use taxes. However, the 0.5 percent food/beverage tax in King County applies only to prepared food and beverages consumed on the premises of the seller; the 0.5 percent regional transportation sales tax exempts motor vehicles but imposes a unique use tax on vehicles purchased by residents of the district; and the public safety tax does not apply to motor vehicles at all.

Tax Rate

State law currently provides for **seventeen** different types of local sales and use taxes. These are: a 0.5 percent "basic" tax for cities and counties; an "optional" tax of up to 0.5 percent for cities and counties; three local taxes for the support of transportation programs (a tax that ranges from 0.1 to 0.9 percent for municipal bus systems, a tax of 0.5 percent for regional transportation projects and a tax of 0.4 percent for passenger-only ferries); a tax of up to 1 percent to fund high capacity transportation; two taxes for funding criminal justice or public safety programs (0.1 percent tax adopted in 1990 and 0.3 percent adopted in 2003); taxes of 0.1 percent each for public facilities, juvenile correctional facilities, zoos, and emergency communications facilities; two state-credited taxes to finance professional sports stadiums; and two state-credited taxes to support rural counties and regional centers. Also, there is a unique local sales tax of 0.5 percent which only applies to prepared food and beverages in King County. These are described in more detail below.

The 0.5 percent food/beverage tax in King County does not apply to all taxable purchases. Similarly, two of the local taxes do not apply to sales of motor vehicles (although one has a unique use tax on vehicles). Some local sales taxes are restricted to certain counties, e.g., the 0.1 percent tax for juvenile correctional facilities, the 0.1 percent tax for zoos, and most of the state-credited taxes.

The highest aggregate local rate currently levied (January 2005) is 2.4 percent, which applies in southeastern Snohomish County, except within the city of Everett and the unincorporated area outside of the transit district. Thus, the highest combined state and local sales tax rate in Washington is now 8.9 percent, and this applies in portions of Snohomish County. The local sales tax rate in the metropolitan areas of King and Pierce counties is 2.3 percent for a combined state and local rate of 8.8 percent. In most other areas of the state the local tax rate ranges from 1 to 2.1 percent (7.5 to 8.6 percent combined). All of Asotin County and parts of Klickitat and Skamania counties have the lowest local sales tax rates at 0.5 percent.

The 17 different types of local sales/use taxes are described below. The first section lists the 13 taxes which are included in the overall tax rate paid by purchasers (NOTE: not all of these taxes are currently being levied). The final four taxes are those which are credited against the state tax; therefore they do not impose an additional burden on purchasers.

LOCAL SALES TAXES PAID BY PURCHASERS

CITIES: RCW 82.14.030 allows cities to levy a basic 0.5 percent sales and use tax rate, plus an optional tax at rates ranging from 0.1 to 0.5 percent. Currently there are 281 incorporated cities and all of them levy the basic 0.5 percent tax. Four small cities, all located in border areas, levy only the basic 0.5 percent tax and none of the optional tax; the remaining 277 cities levy both the basic tax and at least some portion of the optional tax. Cities also receive revenues from some of the other local sales taxes, e.g., the criminal justice tax that is levied by counties and from transit rates levied by some municipalities.

COUNTIES: Under the same statute, counties may levy the same rates as cities. Currently, 35 counties levy the full 1 percent tax; three counties, Asotin, Klickitat, and Skamania, levy all of the basic and none of the optional tax, while Clark levies the basic and 0.3 percent of the optional tax. Counties also receive local sales tax revenues from the criminal justice and correctional facilities taxes, the rural county tax, and transit and public facility rates levied by countywide districts.

TRANSIT: Under RCW 82.14.045 there are 23 cities, counties or public transportation benefit areas (PTBAs) that levy a local sales and use tax rate to finance local bus systems. Rates for the local tax may range from 0.1 to 0.9 percent. As of January 2005, the Snohomish County PTBA is the only jurisdiction to levy the full 0.9 percent. King County and the Kitsap County PTBA levy a 0.8 percent rate. Eleven districts levy 0.6 percent. PTBAs in Cowlitz and Lewis counties levy the minimum rate of 0.1 percent. The remaining seven districts levy between 0.2 and 0.4 percent.

HIGH CAPACITY TRANSIT: RCW 81.104.170, established in 1990, authorizes an additional local sales/use tax of up to 1 percent. This tax may be levied, if approved by the local voters, by cities that operate transit systems, county transportation authorities, King County Metro, or a PTBA, but the proceeds must be devoted to a high capacity transportation system (e.g., a light rail system or other form of transit which operates on an exclusive right-of-way). If the county also levies a local sales/use tax of 0.1 percent for criminal justice programs, as described below, then the maximum rate of the tax for high capacity transit is 0.9 percent. The Regional Transit Authority (known as Sound Transit) covering portions of King, Pierce, and Snohomish counties obtained voter approval for this tax in November 1996; the RTA began levying a rate of 0.4 percent throughout the urban area of these three counties on April 1, 1997.

CRIMINAL JUSTICE: RCW 82.14.340, adopted in 1990, establishes an additional local sales/use tax of 0.1 percent for criminal justice programs. This tax may be levied only by counties, although the receipts are shared with cities: 10 percent goes to the county and the remaining 90 percent is apportioned to the county and all cities within the county on the basis of population. Imposition is subject to potential referendum by the voters. Currently, 30 counties are levying the tax.

PUBLIC FACILITIES: RCW 82.14.048 provides for an additional 0.2 percent local sales and use tax to be used for acquisition, construction and operation of public facilities, such as

sports and entertainment facilities. This tax was established in 1991 at a rate of 0.1 percent, and the maximum rate was increased to 0.2 percent in 1999. The tax is levied by the board of a public facilities district, established under Chapter 36.100 or Chapter 35.57 RCW. To date, the tax has been imposed only in Spokane County to finance the Spokane Arena, and the tax rate remains at 0.1 percent. (NOTE: public facilities districts may also levy the regional centers tax as described later in this section.)

JUVENILE CORRECTIONAL FACILITIES: RCW 82.14.350 establishes a local sales/use tax of 0.1 percent for construction and operation of juvenile detention facilities and jails. The tax may be levied by counties with populations of less than one million, thus excluding King County. Voter approval is required. Originally adopted in 1995, to date it has been implemented in 12 counties - Benton, Franklin, Island, Kitsap, Kittitas, Lewis, Mason, Pierce, San Juan, Spokane, Thurston, and Walla Walla.

KING COUNTY FOOD/BEVERAGE TAX: RCW 82.14.360, enacted in 1995, allows King County to impose a sales/use tax of 0.5 percent on food and beverages sold by restaurants, taverns, and bars. Receipts of the tax are dedicated to funding of Safeco Field in Seattle. The tax is not deductible from the state sales tax so it increases the overall tax rate on such products to 9.3 percent (within the regional transit district). This tax was the first sales tax in Washington, the base of which differed from other taxable items (now vehicles are treated differently for several types of sales taxes). The tax is intended to apply to prepared items which are consumed on-premises; grocery stores and convenience stores are exempt. The tax was adopted by the King County Council in October 1995 with an effective date of January 1, 1996. The tax will expire when the bonds that finance the facility are retired or no later than the end of 2016.

ZOO, AQUARIUM, AND WILDLIFE FACILITIES: RCW 82.14.400 authorizes a metropolitan park district to levy a 0.1 percent local sales/use tax to finance construction and operation of zoos, aquariums, and wildlife preservation and display facilities, as well as general costs of public parks. Levied by Tacoma and Pierce County, the tax benefits the zoo and aquarium at Point Defiance Park in Tacoma and the Northwest Trek facility operated by the Pierce County Metropolitan Park District. The law provides that 1 percent of the local receipts for the initial 12 years be transferred to the state Department of Community, Trade and Economic Development to be used for community-based housing programs for mentally ill persons. This local tax statute was adopted in 1999 and collection began in Pierce County on January 1, 2001.

EMERGENCY COMMUNICATIONS: RCW 82.14.420 permits counties to levy a local sales/use tax of 0.1 percent for the financing of emergency communications systems and facilities. Voters of the county must approve the tax. Levying counties may share the tax receipts with the cities in the county to finance these systems and facilities. The authorizing legislation was adopted in 2002, and the tax was first implemented in Thurston County in January 2003. To date five counties have levied the tax: Clallam, Grays Harbor, Kitsap, Skagit, and Thurston.

REGIONAL TRANSPORTATION: RCW 82.14.430 establishes a local sales/use tax of up to 0.5 percent to finance regional transportation projects. The tax would be levied by a regional transportation investment district, comprised of two or more adjacent counties, and must be approved by the voters of the district. The base of the 0.5 percent tax is unlike any other local sales tax. It applies to all taxable retail sales within the district, EXCEPT for sales of new or used motor vehicles. Instead, a unique local use tax of the same rate would apply to new or used vehicles purchased by residents of the district. This is intended to reduce the incentive for residents of the district to purchase vehicles outside of the district and thereby avoid the 0.5 percent local sales tax. Sellers of new and used vehicles throughout the state will now have to code their sales according to the residence of the purchaser. The authorizing legislation for the local regional transportation sales/use tax was adopted in 2002, but the tax has yet to be levied anywhere in the state.

PASSENGER FERRIES: In 2003 a new local sales/use tax was authorized to finance passenger-only ferry service (RCW 82.14.440). The tax is to be levied by a PTBA subject to approval by the voters of the district, and the maximum rate is 0.4 percent. The tax may only be levied by a PTBA which borders on Puget Sound and which is not located in a regional transit authority (which eliminates most of King, Pierce, and Snohomish counties). It is understood that the tax was intended for Kitsap County. A proposal was presented to the voters, but it was not approved.

PUBLIC SAFETY: Another local sales/use tax was established in 2003. RCW 82.14.450 provides an additional local tax of up to 0.3 percent for counties, subject to voter approval. At least one-third of the tax receipts must be devoted to criminal justice programs, including funding of additional police officers and the relief of congested court systems and overcrowded correctional facilities. The levying county is to retain 60 percent of the receipts and the remaining 40 percent will be distributed to cities within the county on a per capita basis. The statute requires that the use of the revenues be stated in the ballot proposition that goes before the voters; further the receipts may not be used to replace existing funds for such programs. This local sales tax features another differential tax base which departs from the state sales tax base. Like the regional transportation tax, sales of motor vehicles are not subject to the local tax. However, unlike the transportation tax, there is no special use tax on vehicles purchased by owners who reside within the levying county. To date, the tax has been implemented in two counties: Walla Walla in April 2004 at a rate of 0.3 percent and Spokane in January 2005 at a rate of 0.1 percent.

LOCAL SALES TAXES CREDITED AGAINST STATE TAX

KING COUNTY BASEBALL STADIUM: RCW 82.14.0485 provides for a local sales and use tax of 0.017 percent to be used exclusively for construction of a baseball stadium in King County (Safeco Field). The stadium must include a retractable roof and natural turf. This tax is not an additional tax for consumers, and it does not change the overall retail sales/use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the state general fund. Although the tax receipts are to be used by a public facilities district, the actual tax must be imposed by the county. The tax

must be levied by the King County Council; such action was taken in October 1995. The tax was effective on January 1, 1996, and will expire when the bonds for the facility are retired. The tax may not be levied after January 1, 2016.

KING COUNTY FOOTBALL STADIUM: RCW 82.14.0494 authorizes a local sales and use tax of 0.016 percent to be used for a stadium (Qwest Field) designed to house a professional football team and an adjacent exhibition center. The stadium must be an open-air facility which can accommodate a national football league team and Olympic/World Cup soccer. Although the stadium is to be constructed and operated by a public stadium authority, the local sales tax is levied by the county. The statute provides the taxing authority to any county, but because of the restriction limiting the tax to a facility for professional football, the tax is effectively restricted to King County. Voters approved the statewide referendum authorizing the tax in June 1997 and the tax was first levied throughout King County in August 1997. This tax is not an additional tax for consumers, and it does not change the overall retail sales/use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the state general fund. The tax will expire when the bonds to finance the facility are retired or no later than November 2020.

RURAL COUNTIES: RCW 82.14.370 authorizes rural counties to impose a local sales/use tax of up to 0.08 percent. Eligible counties are those with an average population density of less than 100 residents per square mile or one that is smaller than 225 square miles; currently 32 counties qualify under this definition. The tax receipts may only be used for financing of public facilities, such as street improvements, bridges, water/sewer systems, etc., which serve economic development purposes (i.e., the creation or retention of jobs). This tax is not an additional tax for consumers, and it does not change the overall retail sales/use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the state general fund. Once a county qualifies and the tax has been levied, it may continue for up to 25 years. This program was effective on July 1, 1998, and all 32 eligible counties are currently levying the 0.08 percent local tax.

REGIONAL CENTERS: RCW 82.14.390, enacted in 1999, establishes a new local sales/use tax of up to 0.033 percent to finance regional centers. The tax may be levied by a public facilities district, created pursuant to Chapters 35.57 or 36.100 RCW, after August 1, 2000. Regional centers are defined to include convention and conference centers and special events facilities, such as facilities for community events, sporting events, trade shows, and artistic performances. This tax is not an additional tax for consumers, and it does not change the overall retail sales/use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the state general fund. Authority to levy the tax is limited to districts that commence construction of eligible projects prior to January 1, 2004. Once levied, the tax may remain in place until bonds that finance the facility are retired, but in no case may the tax be levied for longer than 25 years. In order to utilize the state-credited tax receipts, the statute requires that public or private matching funds must be obtained for the project. First levied in January 2001, the tax is currently utilized to fund 19 projects throughout the state.

Maximum Rate Limit

A new provision, enacted in 2001 as RCW 82.14.410, stipulates that a local sales tax rate increase enacted after December 1, 2000, must exempt sales of lodging from such local sales tax, if this tax would cause the combined tax rate on lodging to exceed 12 percent or the actual rate that existed on December 1, 2000 (e.g., 15.2 percent in Seattle). Included in the determination of such maximum tax rates are all applicable local sales taxes, the state sales tax, and the state convention center tax. The purpose is to honor the maximum limitation on lodging taxes provided in RCW 67.28.181. The current impact of this provision is to exempt lodging sales in King County which are also subject to the convention center tax (i.e., lodging facilities with 60 or more units) from the increase in the transit tax from 0.6 to 0.8 percent which was effective on April 1, 2001.

Administration

Department of Revenue. Local retail sales and use tax is reported in the same manner as the state tax. However, retail vendors and persons reporting use tax must code their sales on the Combined Excise Tax return to one or more of 334 local code areas in which the transactions take place, so that the Department may return the proper amount of local tax to the appropriate jurisdictions.

By law, the Department may deduct up to 2 percent of the local collections to cover the state's cost of administration (the fee goes to the general fund, not the Department) for some of the local sales taxes, except those which are merely credited against the state sales tax. The Department has never charged the maximum amount. For a number of years a declining fee schedule depending upon the local tax rate was charged. Since July 1997, a flat administrative fee of 1 percent has been charged to all local jurisdictions. Local sales/use taxes for which the administrative fee applies are: basic and optional tax for cities and counties; the transit tax (not the RTA tax); the King County food/beverage tax; criminal justice tax; public facilities tax; juvenile correctional facilities tax; emergency communications tax; public safety tax; and the Pierce County zoo/aquarium tax (earmarked to CTED for 12 years).

The law requires that new sales taxes or changes in existing rates may only take place at the start of a calendar quarter. Further, the Department of Revenue must be notified by the local jurisdiction at least 75 days prior to the intended starting date of the tax. This is intended to allow sufficient time for notification of the affected vendors who collect the tax.

Levied by

Cities, counties, public transportation benefit areas, regional transportation authorities, regional transportation investment districts, public facility districts, and public stadium authorities. Transit districts may be formed by cities, counties, public transportation benefit areas covering a portion of a county, county transportation authorities, or metropolitan municipal corporations.

The local sales/use tax is levied by ordinance of the legislative body of the local jurisdiction. The city/county tax does not require approval by the voters, although imposition and increase of the optional 0.5 percent rate and imposition of the criminal justice tax are subject to potential referendum by the voters. Referendum petitions must be filed within seven days of adoption of the ordinance imposing or increasing the optional tax. Within the next 30 days the petitioner must gather signatures numbering at least 15 percent of the registered voters of the city or county in order to force a referendum election. Imposition or increase (up to statutory maximums) of most other local sales/use taxes must be approved by the voters of the district.

CURRENT IMPLEMENTATION OF LOCAL SALES TAXES

<u>Local Sales Tax Type</u>	<u>Number of Levying Jurisdictions</u>			<u>Voter Approval Required</u>
	<u>City</u>	<u>County</u>	<u>District</u>	
0.5% basic rate*	281	39	--	No
0.5% optional rate*	277	36	--	Subj. to referendum
0.1 - 0.9% transit tax*	2	10	11	Yes
1.0% high cap. transit	--	--	1	Yes
0.1% criminal justice*	--	30	--	Subj. to referendum
0.1% public facilities*	--	--	1	Yes
0.1% juvenile correction*	--	12	--	Yes
0.5% food/beverage tax*	--	1	--	No
0.017% baseball stadium**	--	1	--	No
0.016% football stadium**	--	1	--	Subj. to referendum
0.08% rural counties**	--	32	--	No
0.1% zoo/aquarium*	--	1	--	Yes
0.033% regional centers**	--	--	19	No
0.1% emerg. comm.*	--	5	--	Yes
0.5% regional transp.	--	--	--	Yes
0.4% passenger ferries	--	--	--	Yes
0.3% public safety*	--	2	--	Yes

*state administrative fee applies.

**credited against the state sales tax; therefore no additional impact for taxpayers.

Exemptions, Credits and Deferrals

Same as the state retail sales and use taxes.

Recent Distributions (\$000)

<u>Calendar Year</u>	<u>Cities*</u>	<u>Counties*</u>	<u>Transit Districts</u>	<u>Criminal Justice</u>	<u>Public Facilities</u>
2004	\$699,183	\$276,031	\$583,701	\$96,474	\$6,456
2003	664,595	264,171	551,983	91,721	6,173
2002	640,164	266,050	501,302	89,474	6,014
2001	645,921	259,850	440,819	89,378	5,957
2000	643,142	254,195	392,929	87,954	5,859
1999	596,595	240,190	362,309	78,256	5,518
1998	552,612	228,745	334,985	69,484	5,220
1997	514,340	219,926	310,909	64,673	4,623
1996	479,662	209,745	288,575	60,068	4,923
1995	454,553	209,904	275,719	54,769	4,785

*Basic rate of 0.5 percent and optional rates (up to 0.5 percent).

<u>Calendar Year</u>	<u>Juvenile Facilities</u>	<u>Regional Transit</u>	<u>King Co. Food/Drink</u>	<u>Baseball Stadium</u>	<u>Football Stadium</u>
2004	\$30,619	\$215,562	\$16,608	\$6,658	\$6,266
2003	28,857	207,274	15,584	6,423	6,052
2002	27,385	200,693	15,173	6,365	5,980
2001	25,419	210,836	15,050	6,671	6,270
2000	24,464	210,605	14,643	6,782	6,343
1999	21,860	191,707	13,531	6,156	5,758
1998	18,762	178,185	12,671	5,662	5,292
1997	17,463	81,262	10,720	4,743	810
1996	10,867	--	8,844	3,937	--
1995	--	--	--	--	--

<u>Calendar Year</u>	<u>Rural Counties</u>	<u>Zoo/ Aquarium</u>	<u>Regional Centers</u>	<u>Emerg. Commun.</u>	<u>Public Safety</u>
2004	\$17,804	\$10,545	\$15,209	\$9,044	\$1,737
2003	16,771	9,894	13,006	2,760	--
2002	15,873	9,196	9,495	--	--
2001	15,073	7,269	3,629	--	--
2000	14,014	--	--	--	--
1999	7,198	--	--	--	--
1998	1,815	--	--	--	--
1997	--	--	--	--	--

Distribution of Receipts

The 1 percent basic and optional city/county local sales and use tax revenues are used for general municipal or county purposes. Some jurisdictions may dedicate a portion of the receipts to a particular program. Counties receive all of the basic and optional local tax, after the state administrative fee is deducted, for transactions that occur in the unincorporated area of the county, as well as 15 percent of the tax on sales within cities. Cities receive only 85 percent of the net proceeds of transactions that occur within their boundaries. However, if a city and its county do not levy the same local tax rate, then the jurisdiction imposing the higher rate receives 100 percent of the net proceeds attributable to the rate that is in excess of the other jurisdiction's rate. For example, if a city levies only the basic 0.5 percent tax, but the county levies the full 1 percent tax, then the county gets all of the revenue from the optional 0.5 percent tax for sales within the city, plus 15 percent of the revenue from the basic 0.5 percent tax.

Unique distributions of local tax receipts and dedicated use of the funds for each of the local sales/use taxes were discussed earlier in this chapter. Distributions of local sales/use tax revenues are made each month. There is a lag of two months for the distribution in order for tax returns to be submitted and processed. For example, sales made during the month of June are reported by monthly taxpayers by the 25th of July; the local sales tax revenues attributable to such sales are sent to the local jurisdictions in the middle of August.

The point of sale can be important, because it determines the applicable local tax rate and which jurisdictions receive the local tax revenues. Generally, the point of sale and hence the local revenues are attributable to the location of the retail store where the purchase was made. In the case of products which are installed (e.g. carpeting) or construction of buildings, the tax derives from the location of the installation or construction, not the location of the seller.

History

The local sales/use tax originated in 1970 when the Legislature authorized cities and counties to levy a rate of 0.5 percent, effective April 1, 1970. The "optional" tax of up to an additional 0.5 percent was authorized in 1982, partly to provide compensation for cities and counties for the loss in tax revenues from business inventories which became exempt from personal property tax for taxes payable in 1984.

In 1971, the Legislature established the transit tax which was initially authorized for only metropolitan municipal corporations in Class AA counties (King) at a maximum rate of 0.3 percent. King County Metro implemented the tax, effective January 1, 1973. Starting in 1974, the transit tax could be levied by any county and in 1975 by other types of transit districts (e.g., PTBAs and cities). Also, lower rates of 0.1 and 0.2 percent were permitted in 1975. In 1980, the maximum rate was increased to 0.6 percent for King County and in 1984 other counties or transit districts could also levy up to 0.6 percent.

In 1990 the 1 percent tax for high capacity transportation systems and the 0.1 percent tax for criminal justice programs were adopted. Initially, the criminal justice tax was limited to six counties and had to be approved by the local voters. In 1993 it was broadened to any county and, instead of prior voter approval, the proposition merely had to be subject to potential referendum by the electorate. In 1991 the 0.1 percent public facilities tax was established. Initially, it was limited to public facilities districts in Spokane County, but in 1995 the authority was expanded to any county. The 0.017 percent local tax and the King County food and beverage tax for financing of a baseball stadium in King County and the 0.1 percent tax for correctional facilities were authorized in 1995. The 0.016 percent tax for a professional football stadium and the original 0.04 percent local taxes for rural public facilities were established in 1997.

In 1999 two new local taxes were authorized: the 0.1 percent tax in Pierce County for zoos and the 0.033 percent state-credited tax for regional centers. The maximum transit tax rate was increased from 0.6 to 0.9 percent in 2000. Next, two new local sales taxes were authorized in 2002: the 0.1 percent county tax for emergency communications and the 0.5 percent regional transportation tax. And in 2003 the 0.4 percent tax for passenger-only ferry services and the 0.3 percent tax for public safety programs were authorized.

A new program involving the use of local sales tax revenues was initiated in 2002. An amendment to RCW 35.81.100 allowed any increase in local sales tax receipts which can be attributed to investment in a community renewal project undertaken by a city to be dedicated to retirement of the bonds which financed the investment.

Discussion/Major Issues

The local sales/use tax has become a major revenue source for cities, counties, and transportation districts. Total collections for all jurisdictions are second in magnitude only to the property tax. However, for cities the amount of sales tax nearly equals their property tax receipts. (Regular and special property tax levies due in 2001 for all cities equaled \$798 million, whereas city receipts of 1 percent general local sales tax and the city share of 0.1 percent criminal justice tax amounted to \$696 million in the same period.) For county government the property tax far outweighs the local sales tax in importance (\$1,020 million in regular and special levies versus \$339 million in general local sales tax, criminal justice receipts, the correctional facilities tax, and the rural counties local sales tax).

Most of the advantages and disadvantages of the state tax apply equally to the local sales and use tax. Also, the necessity to code transactions for purposes of the local tax greatly complicates reporting of the tax, especially for retailers who operate in many locations.

The local sales/use tax is often criticized for the lack of uniformity in revenues among jurisdictions. Because population and retail activity are not distributed throughout the state in the same manner, there can be large variations in local tax receipts among jurisdictions. Statewide average per capita receipts for cities and counties from the basic 0.5 percent tax (which is levied in all jurisdictions) amounted to \$80.06 for calendar year 2004. Comparing

local sales/use tax receipts among counties, the combined receipts for the county and all cities ranged from \$25.85 in Ferry County to \$116.47 in San Juan. City per capita receipts ranged from \$2.19 in Malden (Whitman County) to \$626.87 in Fife. The top cities in 2004 per capita sales tax receipts were Fife, Tukwila (\$468.11), Burlington (\$412.86), Gig Harbor (\$307.78) and Issaquah (\$299.39). At the other extreme, seven small towns in Eastern Washington had per capita receipts less than \$10. However, even small towns can derive significant local tax revenues if they happen to be a destination for tourists, e.g. Winthrop (\$276.22), La Conner (\$241.59), and Friday Harbor (\$209.57).

Two adjacent cities in Snohomish County illustrate the extreme variations that can occur for local sales/use tax receipts: the 2004 per capita receipts for Lynnwood (\$231.78) were more than seven times the amount received by neighboring Mountlake Terrace (\$32.52). Lynnwood contains a major shopping mall, whereas Mountlake Terrace has a similar population but comparatively few retail establishments.

Because of these variations, in 1982 the Legislature established an equalization program to help mitigate the adverse impact of the sales tax for cities and counties with very low per capita receipts. Using state motor vehicle excise tax funds, a distribution was made to those cities and counties with low per capita receipts from their local sales/use tax. The county and municipal equalization statutes are RCWs 82.14.200 and .210. The formula and calculations are complex, but basically they provided funds for those jurisdictions that received less than 70 percent of the statewide average per capita local sales tax receipts during the previous year. The equalization calculations were made in January and the amount was distributed to eligible jurisdictions via payments made near the end of the first month of each calendar quarter (January, April, July, and October).

The local sales tax equalization programs were funded by motor vehicle excise tax revenues. With the repeal of this tax, effective on January 1, 2000, funding for local sales tax equalization disappeared. Thus, the equalization program was effectively curtailed in 2000. (The Legislature has provided some "back-fill" money via the appropriations process.) For the last full year of the program, calendar year 1999, equalization payments totaled \$36.5 million for cities and \$6.2 million for counties.

A similar equalization program for transportation districts was established in 1994; this program distributed additional funds to transit districts with low per capita sales and use tax receipts. The amount distributed in 1999 was \$4.3 million. Like the city/county equalization program, the transit district equalization has also ended as a result of the lack of motor vehicle excise tax funds.